



## Finance – Credit Card Usage City of Crystal Lake Administrative Directive

### **PURPOSE:**

The Credit Card and Purchasing Card Program is intended to streamline and simplify purchasing and payment procedures by consolidating supplier invoices and eliminating form processing. This Program is not intended to avoid or bypass appropriate procurement or payment procedures. Rather, the Program complements the existing processes available. The Cards allow staff an opportunity to make practical decisions in obtaining products or services for which they are knowledgeable and reduces administrative burdens. Management information reports are available, enabling the Department Director to improve management control and decision-making.

This procedure provides information about the process, the types of purchases that can and cannot be made, records that must be maintained and reconciled for each cycle, and a variety of other Program information. There are two types of cards available:

- The Credit Card allows the most flexibility and for payment solutions, this card is recommended for Department Director only. (Exceptions page 2)
- The Purchasing Card can be assigned to staff and can be restricted by merchant category groups, transaction frequency and single transaction dollar amount.

The cardholder needs to remember that he/she is committing City of Crystal Lake Funds each time the Credit Card or Purchasing Card is used. This is a responsibility that should not be taken lightly. The cardholder is the person responsible for all charges made to the card. Intentional misuse or fraudulent abuse may result in disciplinary action up to and including dismissal and recovery of all unauthorized City of Crystal Lake purchases.

The card has no impact on the cardholder's personal credit. Although the card lists an individual's name, the card is actually issued to the City of Crystal Lake.

The Director of Finance is responsible for implementing this Program for the City of Crystal Lake. The Director of Finance is the City of Crystal Lake's primary representative to the Credit Card vendor. This individual is responsible for card issuance, card cancellation and communicating to the Credit Card vendor, who, within the City of Crystal Lake, receives the cards, monthly billings, additional statements and management reports.

### Outline of Credit Card Procedures:

1. Cardholder orders product or service directly from supplier.
2. Supplier processes the order.
3. Home State Bank/First Bankcard check for compliance with applicable limits and merchant category code restrictions.

4. The supplier delivers the product or service.
5. Home State Bank/First Bankcard arrange payment to the supplier in as few as three business days.
6. Home State Bank/First Bankcard issue a monthly statement to the Cardholder to verify purchases.
7. The City of Crystal Lake can send single payment or the statement can be broken down by department.
8. The City of Crystal Lake uses various management information reports to review and analyze spending.

## **PROCEDURE:**

### **A. Policy**

The current small purchases limit is \$249 per transaction. Any purchase of \$250 and over, requires a purchase order along with the standard competitive quotes and/or bids. **Departments and the City of Crystal Lake are liable for authorized charges made using the card.** Purchasing cards shall be used for **official** City of Crystal Lake purchases only. Use of the card for personal items is not permitted. Efforts should be made to use vendors who accept the Credit Card where appropriate in order to maximize administrative cost savings. If you have questions on the appropriate use of the Purchasing Card, please contact your Department Director or the Director of Finance.

### **B. Procedures**

#### **1. Card Issuance**

Purchasing Cards will be issued to individuals who have a need as determined by their Department Director and approved by the Director of Finance to make specific purchases.

Credit Cards can be issued to alternative employees, as determined by the Department Director, Director of Finance and City Manager (all three must agree). Credit cards would be for individuals that:

- Order supplies and materials from one-time vendors.
- Reconcile and resolve procurement problems.
- Demonstrate a need for the card to keep from spending personal funds for City of Crystal Lake business.
- Need to make frequent purchases while away from their usual work location.

The ideal Cardholder will meet all four criteria. Former employees, non-employees such as contractors or volunteers are not eligible to obtain cards.

To obtain a Purchasing Card:

1. Department Director is to notify the Director of Finance in writing;
  - a. The name of the individual and title
  - b. The merchants approved for purchases
  - c. The dollar limit the Department Director requests for the card

2. Complete the application information request (*Directive Forms/Credit Card Usage Forms*) by the Director of Finance, including the Department Director's signature.
3. Send the completed application with original signatures to the Director of Finance. **The application should be accompanied with a memorandum from the Department Director recommending the appropriate Profile (See Page 5) and any Industry Restriction(s) to be applied. A copy will be forwarded to Human Resources to be placed in the personnel files.**
4. Attend a training orientation and receive your Purchasing Card.

The Purchasing Cards are issued with the name of the Cardholder and the City of Crystal Lake names embossed on the front.

## 2. Card Profiles

The City of Crystal Lake has established a finite list of profiles for which the Department Director will appropriately place each employee. These profiles will be maintained by the Finance Department. The Finance Department will monitor limits and restrictions and make changes when appropriate. The following profiles have been established:

- Profile A: (Purchasing Card)
  - Maximum dollar limit per transaction = \$249
  - Maximum dollar limit per month: = \$1,000
  - Merchant Restriction: none
  - Travel/Entertainment Restriction: none (Employee)
- Profile B: (Purchasing Card or Credit Card)
  - Maximum dollar limit per transaction = \$1,000
  - Maximum dollar limit per month = \$2,500
  - Merchant restriction: none
  - Travel/Entertainment Restriction: none (Supervisor)
- Profile C: (Credit Card)
  - Maximum dollar limit per transaction = \$2,000
  - Maximum dollar limit per month = \$5,000
  - Merchant restriction: none
  - Travel/Entertainment Restrictions: none (Department Designee)
- Profile D: (Credit Card)
  - Maximum dollar limit per transaction = \$5,000
  - Maximum dollar limit per month = \$30,000
  - Merchant restriction: none
  - Travel/Entertainment Restrictions: none (Department Director)

Department Director may elect Cardholder restrictions from the following available options:

1. **Dollar limits per transaction:** This limit allows Department Director to designate the maximum dollar amount for Cardholders to spend on each purchase or transaction. At the point-of-sale, Home State Bank/First Bankcard verify that the purchase amount falls within the approval transaction limit. If the amount requested for authorization exceeds the limit, the authorization is denied.
  2. **Dollar limits per Cardholder:** This limit allows Department Director to designate the total amount an employee can spend during the monthly billing cycle. Home State Bank/First Bankcard will maintain a running balance. This balance increases with each authorized charge until the Cardholder reaches the assigned monthly limit. If the limit is reached before the end of the billing cycle, new attempts for authorization are denied.
  3. **Industry Restrictions:** Department Director can set industry restrictions based on merchant category codes (MCC). The restrictions enable departments to more accurately target merchant types from which departments purchase high volume, low cost commodities used for maintenance, repair and operation of the department. An example of an MCC restriction is the blocking of retail vendors using the merchant category code for the type of goods or services sold (i.e. 5661 – Shoe Stores).
  4. **Preferred Supplier Reporting:** This feature helps departments manage relationships with preferred suppliers by monitoring Cardholder spending at select merchants. Departments can also use this feature to improve management information by establishing preferred relationships with suppliers to provide enhanced data capture. Enhanced data capture allows accounting or other information to be added at the point of sale.
3. Cancellation of Card
- Cardholders must return the Purchase Card to the City of Crystal Lake Director of Finance immediately upon request or upon termination of employment.
  - It shall be the responsibility of the Department Director to ensure all cancelled cards are collected from their department prior to the employee leaving and forwarded to the Director of Finance to be destroyed.
  - It is imperative the cancellation form (*Directive Forms/Credit Card Usage Forms*) (obtained from the Director of Finance) be processed in an expedited manner by the Department Director.
4. Changes
- The City of Crystal Lake Director of Finance must be contacted when changes need to be made to existing purchasing cards. If a new Credit Card needs to be issued, the Cardholder should receive the replacement card in 7-10 business days (with a fee). The old card, unless it is lost, must be turned in to the Director of Finance before the

replacement card will be issued. The Department Director should utilize the "Transaction Log Worksheet" located on page 15 to:

- Make name changes,
- Change mailing address,
- Increase or decrease spending limit/restrictions,
- Card replacement, or
- Change accounting information contained on the card's magnetic tape.

#### 5. Purchasing/Credit Card Security

Authorized use of the Credit Card is limited to the person whose name appears on the face of the card. The Credit Card must not be loaned to another person; however, an employee in your department may use the Card to make purchases for the City of Crystal Lake.

The Purchasing Card, or any document containing the Card Account Number, should be kept in a secure location. The account number on the Credit Card should not be posted or left in a conspicuous place. Faxing of the account number should be done at a minimum.

If the Credit Card is lost or stolen, the Cardholder must immediately notify the City of Crystal Lake's Director of Finance **and** Home State Bank/First Bankcard.

The City of Crystal Lake is liable for the use of the Credit Card by authorized users, provided that the use is within the single per transaction dollar limit. The City of Crystal Lake does not accept liability for the following:

- Unauthorized use of the Purchasing Card.
- Account numbers that are fraudulently used.
- Purchases made with stolen or lost cards that are beyond the maximum limit of \$50, and after discovery and reporting to Home State Bank/First Bankcard of card loss or theft. **Exception: If the Home State Bank/First Bankcard investigation finds the employee used the card for personal gain – the City of Crystal Lake becomes liable.**

#### 6. General Requirements for Card Use

Department Director shall require Cardholders to maintain a log (*Directive Forms/Credit Card Usage Forms*) of their purchases to allow monitoring of spending limits and reconciliation of purchasing activity to the monthly purchase and statement. A new purchasing log should be established at the beginning of each new billing cycle. To use the Purchasing Card, the Cardholder should take the following steps:

- 1) Identify a vendor that sells the goods and services needed.

- 2) Telephone, go on the internet (**must comply with City of Crystal Lake Internet use Policy**), or go to the vendor's place of business and place the order.

## 7. Ordering Procedures

- Information to give a supplier:
  - Give the vendor your name and card number.
  - Expiration date of the Card.
  - That the City of Crystal Lake is exempt from Sales Tax. The vendor will verify the account number with Home State Bank/First Bankcard. The spending limit will be checked electronically for compliance with applicable limits.
  - Business ship-to address.
  - Preferred methods of shipment, i.e., FOB Destination, freight prepaid and allowed.
  - **Please Note: The Cardnumber should not appear anywhere on the exterior of the package. This number is CONFIDENTIAL!**
  - Record order on Transaction Log for reconciliation when receiving the goods and matching Cardholder Statement.
  
- Information to obtain from supplier:
  - Order confirmation or tracking number.
  - Base cost of purchase.
  - Anticipated delivery date.
  - Freight cost, if available.
  
- **If the amount of the purchase exceeds your single transaction or monthly transaction limit, have your Department Director use their card to make the purchase. If the Department Director does not have the capacity on their card to complete the purchase, they should have the Director of Finance use his/her card.**
  
- Retain all documentation pertaining to the purchase. When the vendor delivers the order, or the order is picked up, documentation of the purchase (such as sales receipt or packing slip) should accompany the order. The documentation must be kept on file by the Cardholder for reconciliation to the charge card statement.
  
- Enter the purchase information in the Cardholder's purchasing log. The Purchasing Log should be designed to meet the needs of the department. The log should contain, but not be limited to, the following information:
  - Department name
  - Cardholder name
  - Account number of purchasing card
  - Date of purchase
  - Vendor name
  - Description of purchase

- Amount of purchase
- Account number to charge
- Returns, Credits and Disputed Items (Sales Tax Charged)

In most cases, disputes can be resolved directly **between the Cardholder and the vendor** that provides the goods and services. The Cardholder must use the following guidelines when returning an item or for other disputed items such as sales tax charged:

- If an item needs to be returned for any reason, the Cardholder should send the item back to the vendor in the manner agreed upon.
- Returns of material to suppliers must be handled as credits and treated as separate transactions.
- Returns are not to be handled as exchanges or combined with other purchases.
- A separate transaction must be placed to re-order the correct material.
- **Cash refunds are not allowed under any circumstances!!**
- Call the supplier as soon as possible. Promptness is important.
  - Obtain supplier's Return Authorization Number, i.e. approval to return.
    - Information to give to supplier:
      - Card Number
      - Name – City of Crystal Lake
      - Phone number
      - Confirmation number/packing slip number
- The vendor should issue a credit for items that are returned or for sales tax inadvertently charged. This credit will appear on a subsequent charge card statement.
  - Confirm that the supplier will issue the credit to your card. This should be an outstanding item on your Transaction Log until the credit appears on your monthly Cardholder Statement.
- If the cardholder and the vendor cannot resolve an issue, the Cardholder should dispute the charge in writing to Home State Bank/First Bankcard via fax, with a copy to the Finance Department. Home State Bank/First Bankcard will process & investigate the dispute on the Cardholder's behalf and assist in the resolution. A Temporary credit will be issued pending final resolution.
- If there is still a problem, contact your Department Director or the Finance Department.

## 8. Charge Card Statement Reconciliation

- Department Procedures

1. Overview:

- The Purchasing Charge Card billing cycle is approximately 25 days in length.
- Home State Bank/First Bankcard mail Cardholders statements approximately three to four days after the cut-off date.
- Cardholder reviews statement for accuracy and notes any discrepancies, signs off and forwards statement to their Department Director.
- Department Director signs statement.

Department Director forwards original statement and documentation to the Finance Department WITHIN 3 BUSINESS DAYS, to avoid interest or penalties. Delays that generate interest or penalties will be the responsibility of each department and charged to them accordingly.

2. Reconciliation Procedures:

The department is responsible for retaining documentation of purchases and returns and reconciling them to the monthly charge card statement. The following guidelines are recommended for reconciliation:

- The Cardholder shall be required to retain an original receipt, an original invoice or other appropriate supporting documentation for each and every purchase made on the credit card. Faxes will not be accepted.
  - The cardholder will match all such receipts to the statement. They will also record the appropriate general ledger account number, invoice number, purchase order number and a brief description. Descriptions should detail what was purchased, who went to training, the dates of conference, etc.
- The Department Director will collect all individual Cardholder expense statements review the general ledger account number for accuracy. The expense reports are then signed by the Department Director and forwarded to the Finance Department, as soon as possible, each month. Continued delinquencies in forwarding statements to Finance shall result in the loss of credit card privileges.
  - The Cardholder's Statement must be signed by the Cardholder; reviewed, approved and signed by the Department Director.
  - Forward to the Finance Department.
- If at any point a Cardholder, Department Director or Finance employee identifies an issue that would otherwise cause the City of Crystal Lake to be paying the wrong amount to Home State Bank/First Bankcard, it is imperative that communication be initiated to all appropriate personnel involved in the process.



- All supporting documentation pertaining to the purchases and returns on the statement should be kept on file by the Cardholder with the purchasing log until disposition in accordance with City of Crystal Lake policies. The cardholder attaches all invoices/receipts and purchase orders, sign and give to their supervisor/Department Director for review.

3. Discrepancies

- Discrepancies should be noted on the purchasing log for subsequent resolution. It is the Cardholder's responsibility to first work with the applicable vendor, then directly with Home State Bank/First Bankcard in order to resolve the issue with temporary credits issued during pending investigation by Home State Bank/First Bankcard.
  - All unresolved issues should be brought to the attention of the Department Director and if necessary, then to the Finance Department.

9. Charge Card Statement Payment Guidelines

- **Finance Procedures**

The Finance Department is responsible for processing payments to Home State Bank/First Bankcard. The following guidelines must be observed when processing payments:

- One consolidated invoice for all purchasing cards within each department specified by the City of Crystal Lake, or the entire City of Crystal Lake, will be mailed by Home State Bank/First Bankcard to the plan administrator following the billing cycle cutoff.
- Upon receipt of the monthly invoice (**Home State Bank/First Bankcard Corporate Billing Statement**), the Director of Finance will reconcile the entire employee statements to the master statement received from Home State Bank/First Bankcard. Appropriate journal entries will also be made.
- Upon receipt of supporting documentation and reconciliation to the invoice (completeness, accuracy), the supporting documentation will be attached to the invoice and filed accordingly.
- **Expense reports submitted without proper documentation will be returned to the cardholder with the deficiency circled. Revised expense reports and corrected supporting documents are expected to be submitted to Finance within one week.**
- The Director of Finance will perform an annual analysis. This analysis that will compile the following information using Home State Bank/First Bankcard reports as appropriate detail.

- Total volume of transactions and dollar amount of transactions for which a credit card was used.
- Top vendors by volume of transactions report generated (to be used to identify vendors that may be subject to credit card purchases).
- Comparison of credit card purchases to non-credit card purchases analysis by volume of transactions and by dollar of transactions with trend analysis performed in subsequent years.

-- The payment due date is established by the terms of the contract with Home State Bank/First Bankcard. The due date will be based upon the cycle date selected by the City of Crystal Lake. **Home State Bank/First Bankcard must receive payment within 25 days after the statement cycle date.** Do not adjust due date for holidays or weekends.

Payments are made auto ACH set up through Home State Bank/First Bankcard.

- **Internal Controls**

Department Directors must develop and document internal control procedures to ensure that all approved monthly statements are turned into the Finance Department each month. The department procedures must:

- Ensure the purchase logs and Cardholder statements are obtained and reconciled with the corresponding Home State Bank/First Bankcard statement prior to receipt of the next Home State Bank/First Bankcard statement.
- Ensure the purchase logs have been reviewed and approved by the Cardholder's supervisor and that the appropriate expense accounts have been charged.
- Ensure unacceptable materials and incomplete services are documented on the purchasing log and the purchaser took the appropriate corrective action with the vendor, and
- Ensure the original payment processing documents are sent to the Finance Department and a copy is maintained in a department file for audit purposes.

The Finance Department will perform "spot" post-audits of Charge Card transaction activity to ensure compliance with the procedures contained herein

- **Records Retention**

Records should be maintained for a period of seven years after final payment.

**RESPONSIBILITY:**

Department Directors, and those employees authorized by the Director of Finance, shall have the responsibility of familiarizing themselves with this directive and adhering to it.

Approved By: \_\_\_\_\_  
City Manager

Original Effective Date: 2/2006  
Revised:  
Next Review:

# Home State Bank/First Bankcard City of Crystal Lake Purchasing Card APPLICATION/ACKNOWLEDGEMENT FORM

Your use of the Home State Bank/First Bankcard City of Crystal Lake Credit Card issued to you is subject to the following terms and conditions. You must comply with the terms and conditions as part of the terms and conditions of your employment.

1. You are being entrusted with a valuable tool – a City of Crystal Lake charge card and will be making financial commitments on behalf of the City of Crystal Lake. You should strive to obtain the best value for the City of Crystal Lake by using existing City of Crystal Lake and State Contract suppliers where possible.
2. You understand the City of Crystal Lake is liable to Home State Bank/First Bankcard for all charges made on the Card.
3. You must use this Card for approved purchases only and must not charge personal purchases. The City of Crystal Lake will audit the use of this Card and report and take appropriate action on any discrepancies.
4. You must follow the policy and procedures in the City of Crystal Lake Purchasing Charge Card Procedures Manual established by the City of Crystal Lake for the use of the Card. Failure to do so may result in either revocation of your privileges or other disciplinary action, including termination of employment.
5. You will be given a copy of the City of Crystal Lake Purchasing Card member Manual. You are required to read and follow the requirements of the Card's use and sign a copy of this acknowledgement form.
6. You must return the Card immediately upon request or upon termination of employment (including retirement). Should there be any organizational change which causes your account number to change, you must return the Card and arrange for a new one, if appropriate.
7. If the Card is lost or stolen, you must notify the City of Crystal Lake Director of Finance and Home State Bank/First Bankcard at 1-800-477-4941 immediately, (available 24/7).
8. The City of Crystal Lake or Home State Bank/First Bankcard may change the cards terms and conditions or its policy and procedures concerning the use of the Card and you must comply with those changes. Any changes will be accomplished by Addendum to the City of Crystal Lake Purchasing Card member Manual.

As the employee being issued the Card, I have read and understand the terms and conditions stated above.

Employee name:

Department name:

\_\_\_\_\_

\_\_\_\_\_

Employee signature (print and sign)

\_\_\_\_\_

Date

Phone:

As the employee's Department Director, I acknowledge that I am responsible to ensure that the employee abides by the above conditions. I am responsible for taking appropriate action in situations involving misuse of the Card. I am responsible for notifying the City of Crystal Lake Director of Finance to cancel Cards if the Cardmember is terminated for any reason, or if the Cardmember transfers to another Department within the City of Crystal Lake. I am also responsible for making certain that any reports I receive are checked for accuracy.

Cost center number \_\_\_\_\_

Card member/Department Director name \_\_\_\_\_

Card member/Department Director signature \_\_\_\_\_  
(signature required)



**Home State Bank/First Bankcard City of Crystal Lake Credit Card Cancellation Form**

Cardholder Name: \_\_\_\_\_

Account Number: \_\_\_\_\_

Requestor's Name: \_\_\_\_\_  
(if different than cardholder)

Reason for cancellation:

\_\_\_\_\_ Termination of employment

\_\_\_\_\_ Loss of Credit Card privileges

\_\_\_\_\_ Other: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Please submit completed form to the Director of Finance.

Approved: \_\_\_\_\_  
Director of Finance

Date: \_\_\_\_\_